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BEFORE THE ARIZONA CORPORATION COMMISSION

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IN THE MATTER OF THE APPLICATION OF ARIZONA ELECTRIC POWER COOPERATIVE, INC. FOR A HEARING TO DETERMINE THE FAIR VALUE OF ITS PROPERTY FOR RATEMAKING PURPOSES, TO FIX A JUST AND REASONABLE RETURN THEREON AND TO APPROVE RATES DESIGNED TO DEVELOP SUCH RETURN..	DOCKET NO. E-01773A-12-0305

Arizona Corporation Commission
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INITIAL POST-HEARING BRIEF

OF TRICO ELECTRIC COOPERATIVE, INC.

AUGUST 30, 2013

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Trico Electric Cooperative, Inc. ("Trico"), through undersigned counsel, respectfully submits its Initial Post-Hearing Brief in this matter.

I. INTRODUCTION.

This is a case that should be determined based on specific known and measurable data, not speculation. Arizona Electric Power Cooperative, Inc. ("AEPCO") filed a general rate application proposing a rate decrease that is justified and supported by specific facts and circumstances. Trico, Sulphur Springs Valley Electric Cooperative ("Sulphur Springs") and Mohave Electric Cooperative ("Mohave") – all distribution member cooperatives and partial requirements members ("PRMs") of AEPCO – support the rate decrease based on these specifics. AEPCO's proposed rate reduction is based on significant cost-cutting measures since its last rate case, including reductions in staff. The result is that AEPCO's request for a rate decrease provides a Debt Service Coverage ("DSC") ratio of 1.32 – the same as what was approved in its last general rate case and approved in Decision No. 72055 (January 6, 2011).

The only party that opposes AEPCO's request for a rate decrease is Utilities Division Staff ("Staff") – specifically its consultants ("Liberty Consulting Group" or "Liberty"). Liberty speculates that a rate decrease is not appropriate based on the risk AEPCO *may* face in the future. Essentially, Liberty's risk analysis stems from only two factors: (1) potential future costs for environmental upgrades to the Apache Generating Station ("Apache") stemming from regional haze regulations enacted by the U.S. Environmental Protection Agency ("EPA"); and (2) concerns about the future cost competitiveness of Apache and AEPCO's rates. For these reasons, Staff's consultants recommend against a rate decrease – and what they describe as a "fallout" DSC of 1.56.[1] The evidence shows, however, that the scope and extent of these future risks is not now known or measurable.

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[1] It is unclear what Mr. Vickroy was actually recommending, however. While he stated during the hearing that the risk was "well above 1.32", he also states that 1.56 DSC was merely a fallout number and that he would not have recommended a rate increase to get to 1.50 DSC – even though he *also* testified that AEPCO's risk was essentially something above a DSC of 1.50. Compare Tr. (Vickroy) at 205 to Tr. (Vickroy) at 207.

The bottom line is that the facts and evidence in this case supports AEPCO's request for a rate decrease. This is based on the Staff consultants' own testimony as well as the ample support provided by AEPCO, Trico and Mohave in this case. The record shows that:

- AEPCO has current financials that would support an investment grade rating. Although AEPCO has partial requirements customers in Trico, Sulphur Springs and Mohave, its existing long-term contracts and rates provide AEPCO with the revenues necessary to meet operating costs and provide sufficient margins.
- The equity ratios for both AEPCO and its member cooperatives are improving.
- The Arizona Corporation Commission's ("Commission") regulatory environment for cooperatives like AEPCO has improved with the enactment of the streamlined cooperative ratemaking rules. This will allow cooperatives to have a more efficient and less expensive process to obtain rate relief.
- AEPCO is not responsible to obtain additional resources for its partial requirements members.
- AEPCO's smaller size and rural service territory has not drastically changed since the last rate case; but it also has had a stable yet diversified customer base.

These specifics alone would support maintaining a 1.32 DSC and the corresponding rate decrease.

As to Liberty's concerns, the most prominent appears to be the looming EPA regulations requiring environmental upgrades to Apache based on the Federal Implementation Plan ("FIP") issued in December 2012. But the evidence is that EPA will revise its FIP to accommodate AEPCO's proposal to address the regional haze requirements and the need to employ Best Available Retrofit Technology ("BART"). The most recent and best evidence indicates that the cost for necessary upgrades will be much closer to $30 million than the $190-million estimate initially cited. In any event, AEPCO proposed the Environmental Compliance Adjustment Rider ("ECAR") to address the compliance costs once known and certain. On the other hand, Staff's consultants propose to keep rates higher than necessary based essentially on speculation about what the costs may be in the future.

Regarding cost competitiveness, Messrs. Vickroy and Antonuk cast doubt on the future of Apache. But again, this doubt is based on speculation. The facts support that Apache will be used and useful for the foreseeable future and a valuable resource for AEPCO. In any case, it is unclear how the higher rates recommended by Liberty would make Apache more competitive. The PRMs acquire the bulk of their power needs from AEPCO. No one can predict the future with certainty, but Staff provides no specific evidence supporting its speculation that Apache will be stranded or mothballed anytime soon. Further, part of AEPCO's plan involves diversifying Apache so that one of the coal units is converted to natural gas.

The outcome of this case has very real impacts for the retail customers of AEPCO's members. For low-and-fixed-income customers, saving \$30-to-\$50 per year is significant for them. Put simply, the specific known and measurable information supports AEPCO's request and provides the correct balance between maintaining AEPCO's financial integrity and providing some relief to the AEPCO members' respective retail customers. Therefore, Trico respectfully requests that the Administrative Law Judge recommends and the Commission approves granting AEPCO's request and the proposed 2.77% rate decrease.

II. ARGUMENT IN SUPPORT OF AEPCO'S REQUEST.

A. AEPCO's proposal is just and reasonable based on the evidence.

Trico supports AEPCO's request and believes the evidence supports decreasing overall revenue requirements by 2.77%. This maintains a DSC of 1.32 for AEPCO, the same as what the Commission approved in AEPCO's last rate case – Decision No. 72055 (January 6, 2011). By contrast, if the Commission approves Staff's recommendation, then a Trico residential customer using the average amount of energy will pay approximately \$50.00 more per year than under what AEPCO has proposed.[2] The record does not support imposing these unnecessary higher rates.

[2] See Rebuttal Testimony of Vincent Nitido (Ex. Trico-1) at 3.

1. The evidence shows AEPCO and its member distribution cooperatives found accord and worked together toward balancing their respective needs.

AEPCO is a generation cooperative that provides electric service to its six Class A distribution member cooperatives. This includes Trico, Sulphur Springs and Mohave as well as its all-requirements member cooperative customers. AEPCO's Board of Directors consists of two members from each Class A member cooperative.[3] AEPCO's member cooperatives therefore have oversight over its operations and have input into the direction of AEPCO.[4] As a result, AEPCO and its members have worked together to reduce AEPCO's costs. An example of decreased costs includes reductions in staffing levels that are reflected in the labor expense adjustment AEPCO made in its application – with a resulting $2.3-million increase in net margins.[5]

It is probably not surprising that Trico supports AEPCO's request for a rate decrease. But contrary to what Liberty may suggest, this is not due to a blind desire simply to achieve the lowest possible rates at the expense of AEPCO's financial integrity. Indeed, Mr. Vincent Nitido, the Chief Executive Officer ("CEO") and General Manager for Trico testified that the member-owned cooperatives of AEPCO understand the need to balance the desire for low rates with the need to maintain a healthy generation and transmission cooperative ("G&T Coop"):

> We believe that as member-owned cooperatives Trico and AEPCO define their success by balancing the interests of maintaining a healthy G&T with maintaining as low a rate as possible. That's something that we do routinely. We understand and agree with the need for a financially sound G&T. But the bottom line is the G&T exists for the benefit of its members and ultimately for the consumers of electricity. Those interests need to be balanced with maintaining a healthy G&T. And that's something that we do on a daily basis as a distribution cooperative with our own members.[6]

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[3] See Direct Testimony of Peter Scott (Ex. AEPCO-1) at 3-4.
[4] See Rebuttal Testimony of J. Tyler Carlson (Ex. MEC-1) at 3.
[5] See Direct Testimony of Gary E. Pierson (Ex. AEPCO-4) at 10; see also Schedule C-2 at pages 3-4 of AEPCO's schedules in support of its filing submitted July 5, 2012.
[6] Tr. (Nitido) at 118-19.

Further, Mr. Nitido testified that a financially distressed G&T Coop is more expensive than a healthy one; so it is in the member-cooperatives best interests to properly balance AEPCO's need to be financially sound with its own predilection to keep rates low.[7] Mohave's CEO J. Tyler Carlson corroborated Mr. Nitido's testimony during the hearing, indicating that AEPCO's Board of Directors have the fiduciary responsibility to balance AEPCO's financial viability with low cost.[8] The recent history also supports the conclusion that the members are cognizant of preserving the proper balance. Unfortunately, Staff's consultant John Antonuk insinuates that some conflict exists between AEPCO and its members by citing to an example in Kentucky.[9] However. Mr. Antonuk provides *no* specific evidence that AEPCO's members are in dereliction of their fiduciary responsibility by supporting AEPCO's request.

2. *The fact that rates may have to go up in the future does not support denying a decrease now.*

Clearly, customers obtain some rate relief when rates can be lowered. This case provides that rare opportunity for customers to receive such a benefit. This is true even when rates might eventually have to be raised to cover potentially increased costs in the future (for O&M, for environmental compliance or otherwise). Indeed, Mr. Nitido testified that customers understand that higher rates are sometimes necessary – but not when based predominantly on conjecture:

> Well, as a CEO of a distribution cooperative and knowing how my members feel about rates, we are constantly in a position of explaining our rates and having pressure from our members to keep our rates as low as possible. So my approach is to maintain as low a rate as possible consistent with financial stability for as long as I can. So I would much rather have lower rates for an extended period of time and then raise them to where they need to be in response to actual needs for the rates to be increased. It is much easier to explain when we have got an event that requires us to raise our rates than it is to explain that we are -- what we are doing is really building up a war chest or building up the financial strength of the G&T in order to meet a future need which we don't really know what it will be yet.[10]

[7] Tr. (Nitido) at 120; see also Tr. (Carlson) at 92 (discussing higher interest rates and higher operating costs with a distressed utility.)
[8] Tr. (Carlson) at 90-91.
[9] See Tr. (Antonuk) at 255-56.
[10] Tr. (Nitido) at 121-22.

Thus, while customers may want certainty and stability, they do not want that at the expense of receiving lower rates when the opportunity is available and when the prospect of high costs is nebulous and ill defined. The Commission has an opportunity to provide Trico's customers (as well as customers of other member cooperatives of AEPCO) with rate relief now based on AEPCO's actual reduced expenses.

B. Liberty's recommendation to reject the rate decrease is based on speculation, not specifics.

1. Most of the evidence Staff's consultants present justifying its position had not changed from AEPCO's last general rate case.

AEPCO filed for its last rate case on October 1, 2009. At that time, Mohave was a PRM of AEPCO.[11] In fact, Mohave has been a PRM since 2001.[12] Also, Sulphur Springs had become a PRM since 2009.[13] Trico was becoming a PRM starting in 2010.[14] The contracts currently in existence between AEPCO and its PRMs were known at that time.[15] Still, the Commission found that a DSC of 1.32 was just and reasonable. So, any notion that these PRM arrangements are an increased risk factor in 2013 is not supportable.

Even so, the facts remain that the proposed rate design from AEPCO stemming from these contracts provides for increased rate stability. This is because both the Fixed Charge and the O&M Charge are paid by all of the six Class A members (all-requirements and PRMs) *regardless* of the energy consumed and the demand on the system. Exhibit GEP-10 to Gary E. Pierson's Rejoinder Testimony shows that AEPCO will receive a greater percentage recovery through its set monthly charges.[16] This provides AEPCO more guaranteed revenue .[17] Even Staff's consultant

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[11] See Decision No. 72055 at Finding of Fact 4.
[12] See J. Tyler Carlson Rebuttal Testimony at 3.
[13] See Decision No. 72055 at Finding of Fact 2.
[14] Decision No. 72055 at Findings of Fact 25, 62.
[15] Decision No. 72055 at Finding of Fact 25.
[16] Compare Columns 1 and 6 in lines 2-3, 17-18 on page 1 – and lines 2-3, 16-17 on page 2 of Ex. GEP-10 in the Rejoinder Testimony of Gary E. Pierson, which was admitted as Ex. AEPCO-6.
[17] See also Rebuttal Testimony of Carl A. Stover (Ex. MEC-2) at 10 (where he states that "essentially all of AEPCO's fixed costs are recovered through monthly charges paid by its members and are recovered by AEPCO independent of how the energy is scheduled or dispatched.")

Randall Vickroy acknowledged that AEPCO's members have to pay all of its fixed costs. [18] Providing more recovery of the costs to provide service in fixed charges improves the ability of AEPCO to achieve its margins. That is far from irrelevant.

Moreover, AEPCO does not assume the responsibility of providing for the PRM's additional capacity needs.[19] This fact essentially eliminates any new-build risk for AEPCO. Mr. Stover for Mohave confirms that AEPCO does not have the obligation to serve PRM's above their contractual commitments.[20]

Mr. Vickroy also cites to AEPCO's size as a risk factor justifying keeping rates where they are and the higher DSC of 1.56.[21] AEPCO may be smaller than the average G&T Coop (in terms of kWh sales); but this factor *has not changed* since AEPCO's last rate case. Despite its rural customer profile, the Commission still found 1.32 DSC to be appropriate. Even so, AEPCO had served and does serve a broad geographic area with a wide variety of different loads that provides benefit.[22] So this factor should not be used to justify a higher DSC.

Finally, Mr. Vickroy (in his pre-filed testimony) spends some time discussing AEPCO's historical financials. And even he admits "[based] solely upon historical quantitative metrics, AEPCO has produced financial results that could qualify it for investment-grade credit rating."[23] He further states that "We [presumably Liberty] have determined that the financial targets included in its rate request, if they were to be realized over a period of years, would probably qualify AEPCO for an investment grade credit rating and ability to access capital markets."[24]

The facts are these: (1) AEPCO has had sufficient cash flow based on relevant ratios and has been able to meet all requirements on its debt based on Mr. Vickroy's own exhibit[25]; and (2) even when AEPCO's DSC was lower than usual, such as in 2011, this was due to one-time non-

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[18] See Tr. (Vickroy) at 225.
[19] See Rebuttal Testimony of Gary E. Pierson (Ex. AEPCO-5) at 5.
[20] See Carl Stover Rebuttal Testimony at 9-10.
[21] See Direct Testimony of Randall Vickroy (Ex. S-4) at 15.
[22] See Tr. (Stover) at 186.
[23] Randall Vickroy Direct Testimony at 12.
[24] Randall Vickroy Direct Testimony at 13.
[25] See e.g. Randall Vickroy Direct Testimony at Ex. REV-3 (examining three-year averages of five financial metrics).

recurring adjustments.[26] Mr. Vickroy cannot discount these one-time adjustments so easily, as he is the one who initially brought up the lower DSC.[27] But Mr. Pierson for AEPCO put the lower DSC into context, explaining that these one-time adjustments had an impact; backing out the adjustments results in a DSC of 1.30 and not 1.19 in 2011.[28] In fact, AEPCO's equity ratio had steadily improved over time.[29] Its equity and margins was 30.31% of overall capital structure as of December 31, 2011.[30] In fact, many of the facts Mr. Vickroy cites to as justifying the 1.56 DSC have not changed from its last rate case – when a 1.32 DSC was determined to be just and reasonable.

2. Certain factors have improved since AEPCO's last general rate case.

In Decision No. 73649 (February 6, 2013), the Commission approved rules that streamline the procedures involving general rate cases for electric and gas cooperatives.[31] These rules became effective April 9, 2013.[32] This will lead to less expensive and more efficient processing of the majority of cooperative rate cases – including for AEPCO, Trico, Sulphur Springs and Mohave. In other words, these new rules will reduce costs and their customers, make rate filings simpler and shorten the timeframes.[33] This fact rebuts Mr. Vickroy's concerns about regulatory status as a possible negative factor[34]; if anything, it shows improvement of the relationship between the Commission and cooperatives – making "regulatory environment" less of a risk factor.

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[26] See Rebuttal Testimony of Gary E. Pierson (Ex. AEPCO-5) at 3-4 and Decision No. 72735 (January 6, 2012) (both addressing the one-time adjustment of $1.998 million in fixed gas costs).
[27] See Randall Vickroy Direct Testimony at 3.
[28] See Gary Pierson Rebuttal Testimony at 3, Ex. GEP-2.
[29] See Decision No. 72055 at Finding of Fact 46 (discussing AEPCO increasing its equity ratio to 29.45% from 5% from 2007 to 2009).
[30] See Schedule A-3, Line 11.
[31] *In re Proposed Rulemaking Regarding the Processing of Cooperative Utility Rate Cases*, Docket No. RU-00000-12-0270.
[32] See Notice of Filing Final Rulemaking, A.A.C. R14-2-103, -107 (March 8, 2013) filed in Docket No. RU-00000A-12-0270 available at http://images.edocket.azcc.gov/docketpdf/0000143393.pdf (last checked August 28, 2013.)
[33] See Notice of Final Rulemaking, Arizona Administrative Register at 398 (contained within Staff's March 8, 2013 filing in Docket No. RU-00000A-12-0270).
[34] See Randall Vickroy Direct Testimony at 13.

The equity percentage of AEPCO's PRMs has also improved and will likely improve in the future. For instance, the Commission approved rates for Trico that will likely allow it to achieve 40% equity by 2016.[35] For Sulphur Springs, the Commission found that its approved rates would allow it to achieve 30% equity by 2016.[36] Further, as both Mr. Pierson (for AEPCO) and Mr. Stover (for Mohave) testify, the composite equity percentage for AEPCO's members is not significantly below the average.[37] Also, the percentage of AEPCO's sales to residential customers is above what would be considered investment grade.[38] AEPCO's risk is no greater than it was since its last general rate case; in fact, these factors have decreased AEPCO's risk profile.

3. Neither the EPA's regional haze regulations nor cost competitiveness justify denying AEPCO's rate decrease proposal.

Staff's consultants state that they are concerned with "rate shock exposure"; but what this really boiled down to was concern about the projected costs of environmental upgrades to comply with EPA's regional haze requirements and BART. In fact, this is the primary reason why Staff's consultants have recommended against AEPCO's proposal to decrease rates. Liberty continues to fear that the cost of these upgrades may be in the $190-million range based on preliminary estimates.[39] But the best most recent evidence indicates $30 million is a far more realistic figure.

Regarding EPA's regional haze and BART standards, the EPA issued its final FIP in December 7, 2012. The FIP essentially covered regional haze requirements for three electric generating stations including Apache; this is because the EPA had not accepted the original State Implementation Plan ("SIP") regarding regional haze – later making separate BART determinations for each of these plants.[40] But EPA also stated that it would be receptive to

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[35] See Decision No. 71230 (August 6, 2009) at Finding of Fact 35.
[36] See Decision No. 71274 (September 9, 2009) at Findings of Fact 30, 32.
[37] See Gary Pierson Rebuttal Testimony at 7; Carl Stover Rebuttal Testimony at 15.
[38] Carl Stover Rebuttal Testimony at Schedule CSN-1, A1.0).
[39] Randall Vickroy Direct Testimony at 14.
[40] See Arizona Regional Haze State and Federal Implementation Plans, 77 Fed. Reg. 72,512 (Dec. 5, 2012) (to be codified at 40 C.F.R. pt. 52) available at http://www.gpo.gov/fdsys/pkg/FR-2012-12-05/pdf/2012-28565.pdf (last checked August 28, 2013.)

working with Arizona to revise any and all of the FIP.[41] AEPCO, as part of this effort, did work on and submit a revised proposal to address regional haze and BART to the EPA.[42] This included switching Apache's Steam Turbine Unit 2 to natural gas and implementing a selective non-catalytic reduction ("SCNR") retrofit for Steam Turbine Unit 3, resulting in only a $30 million cost.[43] By contrast, Mr. Vickroy's analysis assumes $190 million to comply with EPA mandates on regional haze and BART.[44] Further, EPA accepted AEPCO's Supplement to Petition for Administrative Reconsideration submitted in May 2013, which is permissible under the Clean Air Act.[45]

The fact is that AEPCO provided a *preliminary* estimate to Staff during discovery – as Mr. Vickroy admitted during the hearing.[46] That estimate was revised based on further analysis and communication with EPA. As Mr. Nitido for Trico testified during the hearing, a price tag of $190 million for environmental upgrades would be a "non-starter" – meaning the FIP would never be implemented.[47] Indeed, all stakeholders would likely be searching for a "Plan B" if that was the ultimate outcome of the regional haze proceedings. But as Mr. Pierson testified – the EPA is more likely to accept a solution where the cost is much closer to $30 million than $190 million – an 84% reduction.[48] Moreover, the $30-million figure does not include reductions in operating costs that result from the revised proposal.[49] In short, Liberty has recommended a revenue level largely based on outdated information and has maintained this recommendation based on their own speculation.

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[41] See Arizona Regional Haze, 77 Fed. Reg. at 72,514. ("We encourage the State to submit a revised SIP to replace all portions of our FIP, and are ready to work with the State to develop a revised plan.")
[42] See Gary Pierson Rebuttal Testimony at 2.
[43] Gary Pierson Rebuttal Testimony at 2. Apache Steam Turbine Units 2 and 3 are currently the units utilize coal.
[44] Randall Vickroy Direct Testimony at 14.
[45] See Gary Pierson Rejoinder Testimony at 2. The Clean Air Act Section 307 provides for the EPA Administrator to reconsider final rules. See 42 U.S.C. § 7607(d)(7)(B).
[46] Tr. (Vickroy) at 216.
[47] Tr. (Nitido) at 122.
[48] Gary Pierson Rejoinder Testimony at 2-3.
[49] See Tr. (Kurtz) at 145 (referring to when one unit is converted to natural gas – and the reduced need for manpower and other elements of operations and maintenance, for example.)

Finally, many utilities with coal-fired assets from around the country are faced with the dilemma of EPA regulations. This is not a risk unique to AEPCO, as the Commission is aware. While $30 million is a significant sum to expend in the future for compliance purposes, it is not a reason to keep rates higher than necessary now. In fact, $30 million is not a substantial financial change for AEPCO.[50] In any event, AEPCO's proposed ECAR mechanism, if approved, will provide an appropriate mechanism to address the environmental-compliance costs once those are known and certain.[51]

Regarding cost competitiveness, Mr. Vickroy appeared concerned about what he called "the diminishing competitiveness of Apache" leading to increased purchases.[52] Mr. Antonuk expressed it as concern for the economic viability of Apache (independent of the EPA regulations) and remarked on the low natural gas prices in 2012 threatening the viability of Apache.[53] The fact remains, however, that natural gas prices have been increasing in 2013 – as Mr. Vickroy admitted during the hearing.[54] Mr. Pierson highlighted AEPCO's success before the Surface Transportation Board ("STB") in obtaining new lower rail rates from 2009 through 2018 to transport coal (as well as reparations).[55] This is in addition to AEPCO negotiating new coal supplies for 2012 at a lower cost than what was recorded in the test year – and that also results in a higher utilization of Apache as a baseload resource.[56] Simply put, AEPCO took advantage of low market prices in 2012 for the benefit of its members.[57] This fact does not render Apache's future in any jeopardy of being stranded.[58] Apache was not underutilized; rather, AEPCO made the prudent choice to meet needs by procuring lower cost resources at the time.[59] If anything, AEPCO's proposal to convert one of

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[50] Tr. (Stover) at 179.
[52] Randall Vickroy Direct Testimony at 15.
[52] Randall Vickroy Direct Testimony at 15.
[53] Tr. (Antonuk) at 247.
[54] Tr. (Vickroy) at 217.
[55] See Gary Pierson Direct Testimony at 9.
[56] Gary Pierson Direct Testimony at 9; Gary Pierson Rebuttal Testimony at 6.
[57] Tr. (Kurtz) at 49-50.
[58] See Carl Stover Rebuttal Testimony at 20 (testifying that a low capacity factor is acceptable when low market prices exist for energy, which was the case in 2012); see also Tr. (Stover) at 174.
[59] Tr. (Stover) at 177.

its units to natural gas will likely make Apache *more* competitive in future years. An increase in rates, as Liberty proposes, would make Apache less competitive.

Finally, Mr. Vickroy notes that AEPCO's member rates are higher than for APS, TEP and Salt River Project.[60] It is ironic then that he ultimately recommends keeping rates higher than necessary when a rate decrease now would make member rates more competitive. Again, this goes back to the potential that EPA's regulatory action could result in increased costs and increased rates. But the record is clear that these costs will be much less than originally anticipated – and would likely be incurred over time.[61]

In summary, rejecting a proposed rate decrease based simply on speculation is not in the public interest, particularly when the record proves that the speculative bases for the rejection are out-of-date. Staff's recommendation to deny AEPCO's proposed rate decrease should be denied.

III. CONCLUSION.

Mr. Stover put it best when he summarized the major issue in this case as follows: "so would it be fair to charge the current ratepayers $4.3 million to deal with an event which we can't quantify?"[62] The evidence shows in this case that the answer should be a resounding no. Liberty's opposition to the rate decrease rests on speculation about what may happen with the EPA, or what Apache's ultimate future may be. But the record shows that AEPCO will continue to remain financially sound even with a 2.77% decrease in the overall revenue requirement. The specific evidence shows that a DSC of 1.32 has been successful in allowing AEPCO to fund its operations, maintain its financial integrity and have the appropriate margins to operate. Trico therefore strongly urges the Commission to promptly approve AEPCO's request for a rate decrease.

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[60] Randall Vickroy Direct Testimony at 14-15.
[61] See Tr. (Kurtz) at 47-48 (testifying that it would take about 18 months to two years to upgrade Apache with the necessary environmental measures.)
[62] Tr. (Stover) at 145.

RESPECTFULLY SUBMITTED this 30th day of August 2013.

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